

Norwood

July 30, 2010

Joan Gorga
Director
Massachusetts Department of Public Health
Determination Need Program
99 Chauncey Street
Boston, MA 02111

Dear Ms. Gorga,

Attached are comments and proposed conditions to be placed on the proposed sale of the six Caritas Christi hospitals to Cerberus Capital Management.

We encourage the Department of Public Health to include these conditions in the six licenses to ensure that the new owners will provide continued accessible and quality care to the community.

We also ask that consideration by the Public Health Council on the Determination of Need be done after community groups have had the opportunity to engage and negotiate with the leadership of the six hospitals on issues particular to their communities.

We appreciate your work and interest in the concerns of the community. If Health Care for All can be of any help to you or your department, please contact me at 617-275-2940 or mwilson@hcfama.org.

Sincerely,

Matthew Wilson
Campaign Director
Health Care For All

Comments and Proposed Conditions for Carney Hospital, Good Samaritan Medical Center, St. Anne's Hospital, Holy Family Hospital, Norwood Hospital and St. Elizabeth's Medical Center Hospital Determination of Need Licenses

Submitted by Health Care For All

July 30, 2010

Thank you for the opportunity to submit comments and proposed conditions to the Department of Public Health (DPH) for the Determination of Need licenses for the proposed sale of Caritas Christi Health Care to Cerberus Capital Management. This submission supplements oral testimony submitted by Health Care For All at six public hearings held in June 2010. We look forward to continuing our discussion with DPH to determine whether this proposed sale and conversion serves consumers, the host communities, and the Commonwealth's health care system.

Health Care For All is a statewide advocacy group that seeks to create a consumer-centered health care system that provides comprehensive, affordable, accessible, culturally competent, high quality care and consumer education for everyone, especially the most vulnerable. We work to achieve this as leaders in public policy, advocacy, education and service to consumers in Massachusetts. We work to bring social justice values into the health care system.

The proposed purchase and for profit conversion of the six community hospitals that comprise Caritas Christi Health Care is unprecedented for the Commonwealth of Massachusetts and has significant implications for the future of health care in the state.

This proposed conversion comes with many risks to the health care system and Massachusetts' residents. In particular, Health Care For All has concerns about Cerberus' long term commitment to the operation of the hospitals, Cerberus' commitment to serving the broad needs of the community, and the ability of the Commonwealth to monitor operations and enforce future conditions at the hospitals.

Cerberus Capital Management is a Wall Street private equity firm that has never run a hospital. Its traditional business model consists of purchasing distressed properties, cutting expenses, and then selling the newly-slimmed down business for profit. Past acquisitions of Cerberus include Albertsons Supermarkets, Chrysler, Frederick's of Hollywood, Air Canada, and Mervyns department stores. With these companies, Cerberus has made changes in operations by reducing expenses, increasing revenue,

selling off underperforming assets and then reselling the newly profitable entity within a few years. The public has concerns on how this business model will apply to a network of hospitals providing health care to many of eastern Massachusetts's most vulnerable residents. Many of the vital services that community hospitals traditionally provide are not money making practices.

The conversion from a non-profit entity to a for-profit one will take on four additional, and significant, financial obligations:

1. The for-profit hospital chain will need to pay local, state, and federal taxes estimated at \$20 million annually.
2. The for-profit hospital chain will need to provide a financial return for its investors as this is a private equity firm's primary fiduciary responsibility.
3. Cerberus will need to fund the ongoing expenses associated with the creation of Steward Health Care LLC, which is the business entity Cerberus proposes to create in order to manage the hospital network.
4. Cerberus will now honor its commitment to continually fund the employee pension fund.

It is incumbent upon all parties to determine how Cerberus plans to maintain a commitment to the health of community residents currently served by Caritas Christi Health Care while also fulfilling its new fiscal obligations. We are concerned that Cerberus may cut vital services, such as behavioral health care, that have historically been money-losing enterprises. Will Cerberus reduce staffing levels? Will it close money-losing hospitals?

Going forward, Health Care for All requests that the Public Health Council keep the following four principles at the forefront in its deliberations and include the following specific recommendation as conditions for the Determination of Need approval.

1. Continue to run a transparent, accessible, and inclusive review process.

While understanding the need for the review process to move along in a timely manner, we want to make sure consumers, community groups and advocacy groups have the necessary time to negotiate with the network and the specific hospitals to develop conditions for the conversion. We encourage the DPH to work with the public to ensure the Determination of Need decision occurs after these negotiations are completed.

2. Ensure Cerberus' Commitment to the Hospital Network, the Host Community, and its History

The provisions of the sale, as currently structured, call for a three year period during which Cerberus is obligated to maintain Caritas' level of charity care and scope of services. When compared to other similar sales around the country, this is an unusually short time period. In at least one case, a twenty-five year clause was included. To ensure the long-term access to health care for the Caritas communities, Health Care For All calls for a seven-year minimum ownership period in which Cerberus commits to operate all six hospitals and to maintain or increase the percentage of patient service allocated to free care as defined by M.G.L. ch. 118G.

3. Ensure Cerberus' Commitment to Community Hospitals

Cerberus must continue its dedication to the community hospital ideal in its priorities and practices. Since its inception, the Caritas hospitals have been driven by an unwavering commitment to community health care. Community hospitals represent a cost-effective, culturally competent, and efficient acute care delivery system. Health Care For All believes that community hospitals are an integral part of the fabric and the well-being of a community. When run well, these hospitals provide vibrant and robust outreach, care and support for the communities they serve. In addition, community hospitals are vital to a community's economic well-being as they are often the largest employers in the area.

To provide a comprehensive assessment of the health needs of the community, Cerberus should carry out a Community Health Needs Assessment in all the six Hospital catchment areas within one year. Cerberus must address the results of the needs assessment, to the satisfaction of the DPH, through its services and community benefits program. Until this assessment is completed, all current services and community benefit programs must be maintained at current or higher levels.

The assessment will assess the accessibility, affordability, and quality of health care in the area, pay special attention to the health impact of vulnerable populations such as children, seniors, people with disabilities, low income families, and people with chronic diseases and incorporate community input into the investigation process. The assessment must comply with the standards outlined in the Massachusetts Attorney General's Community Benefits Guidelines for Non Profit Hospitals and must be approved by DPH after its completion.

A robust, well-funded and accountable Community Benefits Program provides vital health services for a community. Programs should be developed in coordination with the concerns of community groups and the Community Health Needs Assessment. In addition, a process with public review needs to be established when the hospital wished to eliminate a program or service.

We ask the Public Health Council to endorse the Attorney General's Community Benefit Guidelines for Non Profit Acute Care Hospitals (2009) and encourage the development and implementation of model community benefit programs in a number of areas including cultural competency, mental health, transportation, childhood obesity, elder care, HIV/infectious disease, green building and operations, substance abuse, violence and diabetes.

4. Ensure that the Conditions are Measurable and Enforceable

As outlined in the "Attorney General's Guidelines for Transfers of Nonprofit Acute Care Hospitals and HMOs" (Section IV(G)), an independent Health Care Access Monitor should be hired by DPH to report quarterly on community health care access at each respective Cerberus hospital. These reports will go to DPH and the Legislature's Health Care Committee.

Cerberus will be responsible for the fees of an independent monitor for seven years after the sale. The monitor will be responsible for overseeing the accessibility of health care, including levels of free care provided, and reporting quarterly to the Attorney General and the Department of Public Health. Furthermore, Cerberus must provide the monitor access to necessary records to perform a meaningful evaluation.

In addition, Cerberus agrees to appear before the Public Health Council within six months after the date of sale, and on an annual basis thereafter, to report on compliance with the aforementioned conditions.

With the health of so many residents at stake, Health Care For All wants to make sure conditions are in place to ensure that the new owners will have the capacity and the will, now and in the future, to continue to provide accessible, affordable and high quality care across the Commonwealth.